

IFRS adoption and loan loss provisioning practices in Nigerian banks

Olalekan Ajayi*

Walter Sisulu University, South Africa

Abstract

This study examined the effect of IFRS adoption on loan loss provisioning in Nigerian deposit money banks listed on the Nigerian Exchange Group over the 2014–2024 period, spanning both the pre-IFRS 9 (2014–2017) and post-IFRS 9 (2018–2024) impairment regimes. A quantitative ex post facto design was adopted using balanced panel data from 12 listed banks, yielding 132 bank-year observations. IFRS adoption was captured through a binary dummy variable, and the analysis was conducted using a fixed-effects panel regression model with bank-level clustered robust standard errors. IFRS adoption had a positive and statistically significant effect on the loan loss provision ratio ($\beta = 0.0105$, $p = 0.012$), indicating that Nigerian listed banks reported higher provisions relative to gross loans in the post-adoption period after controlling for bank size, profitability, and credit risk. Non-performing loans were the strongest determinant of provisioning ($\beta = 0.261$, $p < 0.001$), confirming that credit quality remained the primary driver of impairment recognition alongside the regime change. Profitability was negative but statistically insignificant. The study concludes that the transition from IAS 39 to IFRS 9 produced a measurable upward shift in provisioning levels among listed Nigerian banks, consistent with the expected credit loss framework's requirement for earlier and broader impairment recognition, while credit risk continued to anchor provisioning to underlying loan quality. Prudential regulators, audit committees, and external auditors should give greater attention to the assumptions and credit risk evidence underlying post-adoption expected credit loss estimates, and investors should interpret rising provisions in the context of both the stricter impairment regime and concurrent credit quality developments.

Keywords: IFRS adoption, Loan loss provisioning, Expected credit loss, Nigerian deposit money banks, IAS 39.

1. Introduction

The reform of bank impairment accounting gained renewed urgency following the global financial crisis, which exposed a fundamental weakness in how banks recognized credit losses. Under IAS 39, impairment was triggered by objective evidence of loss, an incurred-loss approach that was widely criticized for delaying recognition until deterioration had already become severe. IFRS 9 was developed to address this by replacing IAS 39 with an expected credit loss framework, effective from 1 January 2018, requiring banks to provision earlier and to incorporate forward-looking macroeconomic assumptions into their impairment estimates. Early cross-country evidence indicates that this transition improved the risk-signaling content of loan loss provisions by making them more predictive of future bank risk than provisions recognized under the incurred-loss model (López-Espinosa et al., 2021; Resende et al., 2024).

For banks, this accounting change was especially consequential because loan loss provisions affect far

more than impairment expense alone, they shape reported earnings, retained earnings, regulatory capital, and external assessments of asset quality. In principle, a move from incurred-loss to expected-loss accounting should alter the timing and magnitude of provisioning, particularly for performing loans whose credit quality has begun to weaken but has not yet reached default. Recent evidence suggests, however, that the new regime did not eliminate provisioning discretion entirely, since impairment recognition under IFRS 9 continues to vary with bank-specific conditions and internal incentives even when the accounting rule is more forward-looking than before (Behn & Couaillier, 2025; Ghosh, 2024).

The literature has therefore come to treat IFRS 9 not as a purely technical reporting update, but as a substantive change in bank reporting outcomes. Evidence from Portugal shows that the transition to expected credit loss accounting materially affected provisioning behavior and the relationship between loan loss provisions and bank performance measures, while more recent work continues to document that provisioning under IFRS 9 remains sensitive to economic conditions, capital pressure, and

managerial judgment (Resende et al., 2024; Behn & Couaillier, 2025). The central empirical question in this literature has accordingly shifted from whether IFRS 9 changed the rules to whether it changed provisioning practice in observable terms within specific banking systems.

The Nigerian banking sector provides an appropriate setting for examining that question. Nigerian listed banks adopted IFRS 9 from 1 January 2018, and their financial statements explicitly confirmed the transition. Fidelity Bank disclosed that IFRS 9 fundamentally changed its accounting for loan loss impairments by replacing IAS 39 with an expected credit loss model, while Access Bank reported that expected credit losses were recognized in the income statement and reconciled against prudential provisions for regulatory purposes (Access Bank Plc, 2018; Fidelity Bank Plc, 2018). These disclosures confirm that the shift was substantive rather than merely formal, directly affecting how impairment charges were measured and reported.

Even so, direct evidence on the provisioning consequences of IFRS adoption in Nigeria remains limited. Ozili and Outa (2019) found that mandatory IFRS adoption improved the informativeness and reliability of loan loss provisions by discouraging earnings smoothing among Nigerian banks during the adoption period, but that study was framed around smoothing behavior rather than a focused test of whether the accounting regime shift itself changed the level of the loan loss provision ratio. That distinction leaves room for a direct policy-oriented test: whether IFRS adoption significantly altered loan loss provisioning practices in listed Nigerian deposit money banks once bank size, profitability, and credit risk are controlled for.

The objective of this study is therefore

1. To examine the effect of IFRS adoption on loan loss provisioning in Nigerian deposit money banks listed on the Nigerian Exchange Group over the 2014–2024 period.

2.0 Literature Review

IFRS Adoption, Loan Loss Provisioning, and Bank Reporting behavior

Prior to IFRS 9, loan loss provisioning under IAS 39 operated through an incurred-loss model that restricted recognition to periods when objective evidence of impairment had already materialised. The consequence was well documented: banks tended to delay loss recognition during periods of apparent credit stability, accumulating provisions only when deterioration had become undeniable. This pattern gave managers considerable discretion over the timing of impairment charges, which prior research showed was used not only to reflect genuine credit risk but also to manage reported earnings and regulatory capital. Ahmed et al. (1999) provided foundational evidence that loan loss provisions served capital management and earnings management purposes alongside their risk-recognition function, establishing that provisioning behaviour under IAS 39 was shaped by incentives that went well beyond pure credit assessment. Bushman and Williams (2012) extended this insight by showing that greater provisioning discretion was associated with reduced discipline over bank risk-taking, with forward-looking provisioning linked to lower systemic risk accumulation, a finding that directly motivated the case for the expected credit loss model. These studies established that provisioning rules matter not only for accounting outputs but for bank risk behaviour, which is precisely the policy justification for IFRS 9.

IFRS 9, effective 1 January 2018, replaced the incurred-loss trigger with an expected credit loss framework that required banks to estimate and recognise losses before default events occurred, incorporating forward-looking macroeconomic assumptions into impairment estimates. Novotny-Farkas (2016) set out the supervisory and financial stability implications of this transition in advance of adoption, arguing that while the expected-loss model had the potential to reduce delayed recognition, its interaction with regulatory capital rules and managerial discretion would shape whether those gains were realised in practice. Early cross-country evidence confirmed that the transition improved the risk-signalling content of reported provisions. López-Espinosa et al. (2021) showed that the shift to expected-loss provisioning made loan loss reserves more predictive of future bank risk than reserves recognised under the incurred-loss model, while López-Espinosa and Penalva (2023) reported that

IFRS 9 increased the timeliness of loss recognition in Spanish banks and had measurable effects on both lending and regulatory capital. Investor market reactions similarly suggested that the change was substantive: Onali et al. (2024) found that investors responded positively to the expected-loss model, treating the new framework as likely to improve credit risk monitoring and transparency. Ghosh (2024) further showed that IFRS 9 affected bank liquidity creation in a cross-country setting, indicating that the standard had broader behavioural implications beyond impairment measurement alone.

Empirical Evidence on Post-Adoption Provisioning and Informativeness

The empirical literature on post-adoption outcomes indicates that IFRS 9 changed provisioning behaviour, but not uniformly or completely. In the European banking sector, Leventis et al. (2011) found that mandatory IFRS adoption was associated with reduced earnings management through loan loss provisions, suggesting that more rule-bound impairment accounting constrained opportunistic discretion even in the IAS 39 era, a baseline finding that sets expectations for what IFRS 9 should, in principle, reinforce. More directly, Gebhardt and Novotny-Farkas (2011) found that mandatory IFRS adoption improved the quality of bank accounting in European settings, with provisioning becoming more reflective of underlying credit risk and less shaped by managerial reporting incentives. These two studies provide important context for the IFRS 9 evidence that followed by demonstrating that accounting regime changes do alter provisioning outcomes in bank-level panel data.

Under IFRS 9 specifically, Resende et al. (2024) found that expected credit loss accounting in Portugal was associated with procyclical provisioning, while earnings and equity management appeared less pronounced under the new regime. Casciello et al. (2024) similarly showed that more timely loss recognition was associated with lower upward earnings and capital management in the European banking sector. Pastiranová and Witzany (2022) found that expected-loss provisioning in EU countries still displayed cyclical sensitivity, indicating that the shift to IFRS 9 did not produce uniformly

countercyclical impairment behaviour. Behn and Couaillier (2025) further documented that provisioning under IFRS 9 continued to vary with bank capital adequacy and internal conditions, confirming that managerial judgment and institutional factors remained active influences even under the more forward-looking standard. Taken together, these studies characterise the post-adoption environment as one in which provisioning improved in timeliness and transparency but retained sensitivity to both economic cycles and bank-specific incentives.

The informational consequences of adoption have received particular attention in African and emerging-market settings. Taylor et al. (2025) found that among African banks, IFRS 9 adoption enhanced earnings informativeness, but that this benefit weakened in lower-quality regulatory environments, a finding directly relevant to the Nigerian setting. Zampella and Ferri (2024) showed that the value relevance of IFRS 9 in European banking was shaped by country-level institutional factors, not the accounting rule alone. Kyiu and Tawiah (2025) reported that IFRS 9 implementation was associated with lower overall bank risk in a broad cross-country sample, implying that forward-looking provisioning can affect bank behaviour in economically meaningful ways.

Nigerian evidence

In Nigeria, peer-reviewed evidence on the provisioning consequences of IFRS adoption remains limited relative to the European and broader emerging-market literature. Ozili and Outa (2019) found that mandatory IFRS adoption among Nigerian banks was associated with lower earnings smoothing, implying improved informativeness and reliability of loan loss provisions during the adoption period. That result showed that the reporting regime mattered for loan loss accounting in Nigeria. An earlier study by Ozili (2017) also documented that Nigerian banks used loan loss provisions for income smoothing purposes and that this behaviour was associated with procyclical provisioning tendencies, establishing that provisioning discretion was a feature of the Nigerian banking environment prior to IFRS 9. Taken together, these two studies suggest that the pre-IFRS 9 period in Nigeria exhibited the kind of discretionary and

procyclical provisioning behaviour that the expected credit loss framework was specifically designed to address. Whether the post-2018 period reflects a measurable change in provisioning levels, after controlling for bank characteristics and credit quality, has not yet been directly tested in a panel framework.

Empirical gap and hypothesis development

The reviewed evidence establishes that IFRS adoption produced observable changes in provisioning across multiple banking systems, generally by producing higher and more timely recognition of impairment charges relative to the incurred-loss regime (Ahmed et al., 1999; Gebhardt & Novotny-Farkas, 2011; López-Espinosa et al., 2021; Resende et al., 2024). For Nigerian banks, the evidence confirms that IFRS regime change affected provisioning behaviour (Ozili & Outa, 2019; Ozili, 2017), but a direct panel-level test of whether the post-2018 IFRS 9 period itself significantly changed the loan loss provision ratio, after controlling for bank size, profitability, and credit risk, has not been conducted. Since IFRS 9 requires earlier and more comprehensive recognition of expected credit losses than IAS 39 demanded, and since Nigerian bank disclosures explicitly confirmed adoption of the expected credit loss model from 2018, the post-adoption period should, on balance, be associated with higher reported provision ratios relative to the pre-adoption period. Based on this reasoning, the study stated the following null hypothesis:

H₀₁: IFRS adoption has no significant effect on loan loss provisioning in Nigerian deposit money banks.

3.0 Methodology

Research design

The study employed a quantitative ex post facto design using longitudinal bank-year panel data. Panel data analysis was appropriate because the study required variation in provisioning behaviour both across banks and over time, while also controlling for unobserved bank-specific characteristics that might otherwise confound the estimated effect of the IFRS adoption dummy (Wooldridge, 2016; Greene, 2018). An ex post facto design was adopted because the data

were historical and the adoption of IFRS 9 was not subject to researcher manipulation, the reporting regime change occurred independently of this study and its timing is treated as exogenous to the individual banks in the sample.

Population and Sample

The population consisted of deposit money banks listed on the Nigerian Exchange Group as of December 2024. The final sample of 12 banks was determined after restricting the population to institutions with complete and continuous annual report data across the full 2014–2024 study window. Two banks were excluded: one that was delisted during the study period and one with missing loan loss provision data across multiple years. Including either would have introduced gaps in the balanced panel structure and created measurement inconsistencies in the dependent variable (Wooldridge, 2016). The 12 retained banks produced 132 bank-year observations, each institution contributing 11 annual observations across the study period.

The study period spans 2014 to 2024 and was selected to capture both the pre-IFRS 9 period (2014–2017) and the post-IFRS 9 period (2018–2024). IFRS 9 became effective for annual reporting periods beginning on or after 1 January 2018, and transition disclosures by Nigerian listed banks confirmed that the shift from IAS 39 to the expected credit loss model took effect from 2018 (IFRS Foundation, 2014; Access Bank Plc, 2018; Fidelity Bank Plc, 2018).

Data sources

All bank-level data were extracted from audited annual financial statements obtained through the Nigerian Exchange Group corporate disclosure portal and the investor-relations pages of the sampled banks (Nigerian Exchange Limited, n.d.). The extracted items included loan loss provisions, total gross loans, total assets, net income, and non-performing loans. Audited statements were used because they are prepared under regulatory oversight and in compliance with recognised financial reporting standards, improving measurement reliability and cross-bank comparability.

Variable measurement: Table 1 presents the operationalisation of the study variables.

Table 1: Variable measurement

Variable	Symbol	Measurement	Role	Justification
Loan loss provision ratio	LLP	Loan loss provisions ÷ total gross loans	Dependent	Scaling by gross loans makes provisions comparable across banks with different loan-book sizes (Beatty & Liao, 2014; Ozili, 2024)
IFRS adoption dummy	IFRS	0 = 2014–2017 (pre-adoption); 1 = 2018–2024 (post-adoption)	Independent	Captures the shift from the IAS 39 incurred-loss model to the IFRS 9 expected credit loss framework (IFRS Foundation, 2014)
Bank size	SIZE	Natural logarithm of total assets	Control	Log transformation compresses asset size distribution and is standard in bank-level panel studies (Ozili, 2024)
Profitability	ROA	Net income ÷ total assets	Control	Return on assets captures earnings performance and may influence provisioning through income-smoothing incentives (Ozili & Outa, 2019)
Credit risk	NPL	Non-performing loans ÷ total gross loans	Control	The NPL ratio is the primary indicator of loan portfolio deterioration and is one of the strongest consistent determinants of provisioning (Beatty & Liao, 2014; Laeven & Majnoni, 2003)

Source: Author's compilation.

Model specification

To examine the effect of IFRS adoption on loan loss provisioning, the study specified the following panel regression model:

- $LLP_{it} = \beta_0 + \beta_1 IFRS_t + \beta_2 SIZE_{it} + \beta_3 ROA_{it} + \beta_4 NPL_{it} + \mu_i + \varepsilon_{it}$
- Where
- LLP_{it} – Loan loss provision ratio for bank i in year t
- $IFRS_{it}$ – Dummy variable for IFRS adoption (1 = post-adoption, 0 = pre-adoption)
- $SIZE_{it}$ – Natural logarithm of total assets
- ROA_{it} – Return on assets (profitability measure)
- NPL_{it} – Non-performing loan ratio
- μ_i – Unobserved, time-invariant bank-specific effect
- λ_t – Year-specific effect common to all banks
- ε_{it} – Idiosyncratic disturbance term

The primary coefficient of interest is β_1 . A statistically significant positive estimate of β_1 would indicate that,

after controlling for bank size, profitability, and credit risk, provisioning was systematically higher in the post-adoption period, consistent with earlier and more comprehensive impairment recognition under IFRS 9.

Year fixed effects are not included in the model alongside the IFRS dummy because IFRS is a period-level binary indicator that takes an identical value for all banks in any given year. Including a full set of year dummies would perfectly absorb the variation in the IFRS variable, rendering its coefficient inestimable. The IFRS regime effect is therefore identified through the period dummy itself, supported by the separate mean-difference test that provides an initial unconditional comparison across periods. Bank fixed effects are retained to control for persistent, time-invariant differences across institutions that might otherwise bias the estimated regime effect.

Estimation procedure and diagnostic tests

Estimation was carried out in Stata. Descriptive statistics were first computed separately for the pre-adoption and post-adoption periods to characterise

the distribution of variables and establish whether visible differences in provisioning coincided with the regime change. A Pearson correlation matrix and variance inflation factors were then examined to assess pairwise associations and multicollinearity, with VIF values above 10 treated as indicating problematic collinearity (Gujarati & Porter, 2009).

The choice between fixed-effects and random-effects estimators was made using the Hausman specification test, which assesses whether unobserved bank-specific effects are correlated with the regressors. A statistically significant result favours the fixed-effects estimator as the consistent choice (Hausman, 1978; Wooldridge, 2016). Following model selection, groupwise heteroskedasticity was assessed using the modified

Wald test, first-order serial correlation was assessed using the Wooldridge test for panel data, and residual normality was assessed using the Jarque-Bera test (Baum, 2001; Drukker, 2003; Jarque & Bera, 1987). Where heteroskedasticity and serial correlation were detected, the model was re-estimated with clustered robust standard errors at the bank level to ensure reliable inference (Wooldridge, 2016; Greene, 2018).

4.0 Results and Discussion

Descriptive statistics by period

Table 2 presents descriptive statistics for the study variables across the pre-IFRS 9 (2014–2017) and post-IFRS 9 (2018–2024) periods.

Table 2: Descriptive statistics by period

Variable	Period	Obs.	Mean	Std. Dev.	Min	Max
LLP	Pre-IFRS (2014–2017)	48	0.023	0.015	0.003	0.071
LLP	Post-IFRS (2018–2024)	84	0.034	0.024	0.005	0.118
SIZE	Pre-IFRS (2014–2017)	48	13.611	0.887	11.992	15.204
SIZE	Post-IFRS (2018–2024)	84	14.025	0.978	12.214	15.821
ROA	Pre-IFRS (2014–2017)	48	0.016	0.017	–0.031	0.058
ROA	Post-IFRS (2018–2024)	84	0.011	0.020	–0.061	0.051
NPL	Pre-IFRS (2014–2017)	48	0.062	0.041	0.009	0.182
NPL	Post-IFRS (2018–2024)	84	0.076	0.059	0.011	0.267

Source: Author's computation (2026).

The average loan loss provision ratio rose from 0.023 in the pre-IFRS 9 period to 0.034 in the post-IFRS 9 period, representing an increase of approximately 48 percent in relative terms. This upward shift is directionally consistent with the expectation that the expected credit loss framework would produce earlier and higher recognition of impairment charges relative to the incurred-loss model it replaced (IFRS Foundation, 2014; Novotny-Farkas, 2016). The non-performing loan ratio also increased from 0.062 to

0.076 across periods, indicating some deterioration in credit quality in the post-adoption window. Profitability declined from a mean ROA of 0.016 to 0.011, while average bank size increased modestly. These concurrent changes in credit conditions and bank performance reinforce that the post-adoption shift in provisioning cannot be attributed to the accounting regime change alone without controlling for these factors, a limitation addressed in the multivariate results that follow.

Mean difference test

difference test for the loan loss provision ratio between the pre-IFRS 9 and post-IFRS 9 periods.

Table 3 presents the results of a two-sample mean

Table 3: Mean difference test for LLP

Period	Obs.	Mean LLP	Std. Dev.	Mean Difference	t-statistic	p-value
Pre-IFRS (2014–2017)	48	0.023	0.015	—	—	—
Post-IFRS (2018–2024)	84	0.034	0.024	0.011	2.71	0.008

Source: Author's computation (2026).

The mean difference test confirms that the average loan loss provision ratio was significantly higher in the post-IFRS 9 period, with a mean difference of 0.011 that is statistically significant at the one percent level ($t = 2.71$, $p = 0.008$). This result provides initial unconditional support for the proposition that IFRS 9 adoption was associated with a measurable upward shift in provisioning among listed Nigerian banks. Since this test does not account for concurrent

changes in bank size, profitability, or credit quality, it is treated as a descriptive observation that motivates but does not replace the multivariate analysis.

Correlation analysis and multicollinearity test

Table 4 presents the Pearson correlation coefficients among the study variables and variance inflation factors for the regressors.

Table 4: Correlation matrix and VIF

Variable	LLP	IFRS	SIZE	ROA	NPL	VIF
LLP	1.000					
IFRS	0.244**	1.000				1.18
SIZE	0.191*	0.204*	1.000			1.26
ROA	-0.083	-0.122	0.096	1.000		1.34
NPL	0.538***	0.181*	-0.074	-0.237**	1.000	1.45

Source: Author's Computation (2026). * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Mean VIF = 1.31.

The IFRS dummy is positively and significantly correlated with LLP ($r = 0.244$, $p < 0.05$), providing bivariate support for the hypothesis. NPL shows the strongest unconditional association with LLP ($r = 0.538$, $p < 0.01$), confirming that credit quality is the dominant correlate of provisioning at the raw data level. SIZE is positively associated with LLP ($r = 0.191$, $p < 0.10$), while ROA shows a weak negative association ($r = -0.083$) that does not reach statistical significance. Correlations among the regressors are

all moderate, with no pairwise coefficient exceeding 0.24. All VIFs fall below 1.50 and produce a mean VIF of 1.31, well below the threshold of concern, indicating that multicollinearity does not threaten coefficient precision in the regression model (Gujarati & Porter, 2009).

Model selection and diagnostic tests: Table 5 presents the model selection and diagnostic test results.

Table 5: Model selection and diagnostic tests

Test	Statistic	p-value	Decision
Hausman test	$\chi^2(4) = 9.74$	0.045	Fixed effects preferred
Modified Wald test	$\chi^2(12) = 57.82$	0.000	Heteroskedasticity present
Wooldridge test	$F(1,11) = 6.91$	0.024	First-order autocorrelation present
Jarque–Bera test	$\chi^2 = 12.48$	0.002	Residuals non-normal

Source: Author's computation (2026).

The Hausman test is statistically significant ($\chi^2(4) = 9.74$, $p = 0.045$), indicating that unobserved bank-specific effects are correlated with the regressors and that the fixed-effects estimator is preferred for consistency. Subsequent diagnostics revealed groupwise heteroskedasticity across the 12 bank panels and first-order autocorrelation within banks, both common features of financial panel data that can distort conventional standard errors. The Jarque-Bera test indicates non-normality of residuals; however, this does not threaten the consistency of fixed-effects estimates under standard asymptotic conditions and is noted for completeness. The model was therefore estimated with bank-level clustered robust standard errors to address both heteroskedasticity and serial dependence simultaneously (Wooldridge, 2016; Greene, 2018). As established in the Methodology, year fixed effects were not included alongside the IFRS period dummy due to perfect collinearity, the IFRS dummy takes an identical value for all banks in any given year and absorbs the same variation that year dummies would capture. The IFRS regime effect is identified directly through the period dummy and is supported by the mean difference test in Table 3.

Panel Regression Results

Table 6 presents the fixed-effects regression results.

Table 6: Fixed effects regression results for loan loss provisioning

Variable	Coefficient	Robust Std. Err.	T-statistic	p-value
IFRS	0.0105	0.0041	2.56	0.012
SIZE	0.0032	0.0015	2.13	0.038
ROA	-0.049	0.034	-1.44	0.154
NPL	0.261	0.055	4.75	0.000
Constant	-0.021	0.012	-1.79	0.082

Source: Author's Computation (2026). Bank fixed effects: Yes. Year effects: Not included due to perfect collinearity with IFRS period dummy. Observations: 132. Number of banks: 12. Within R^2 : 0.391. Prob > F: 0.000.

The IFRS adoption dummy carries a positive and statistically significant coefficient ($\beta = 0.0105$, $p = 0.012$), indicating that after controlling for bank size, profitability, and credit risk, the post-2018 period was associated with an average increase of approximately 1.05 percentage points in the loan loss

provision ratio. The non-performing loan ratio is the strongest determinant with a coefficient of 0.261 ($p < 0.001$), confirming that underlying credit quality remains the primary mechanical driver of provisioning. Bank size carries a positive and significant coefficient ($\beta = 0.0032$, $p = 0.038$), while profitability carries a negative but statistically insignificant coefficient ($\beta = -0.049$, $p = 0.154$). The within R^2 of 0.391 indicates that the model accounts for approximately 39 percent of within-bank variation in provisioning, reasonable for a parsimonious fixed-effects specification focused on regime change.

Discussion of Findings

IFRS adoption (IFRS)

The positive and statistically significant coefficient on the IFRS adoption dummy ($\beta = 0.0105$, $p = 0.012$) indicates that Nigerian listed banks reported higher loan loss provision ratios in the post-2018 period, after accounting for concurrent differences in bank size, profitability, and credit quality. This result is consistent with the fundamental logic of IFRS 9, which replaced the delayed, evidence-dependent recognition of IAS 39 with a framework requiring banks to estimate and record credit losses before default materialised (IFRS Foundation, 2014; Novotny-Farkas, 2016). The finding aligns with cross-country evidence showing that the shift to expected-loss accounting increased the timeliness and risk-signalling content of provisions (López-Espinosa et al., 2021; López-Espinosa & Penalva, 2023) and with the Portuguese evidence that expected credit loss accounting produced materially higher provisioning levels in the post-adoption period (Resende et al., 2024).

The result also extends the Nigerian evidence base meaningfully. Ozili and Outa (2019) established that IFRS adoption reduced earnings smoothing through loan loss provisions among Nigerian banks, implying that the regime change improved the accuracy of reported provisions relative to underlying credit risk. The present finding adds a direct quantitative dimension to that evidence: the post-adoption period produced not only more informative provisions but measurably higher ones, consistent with what the earlier literature anticipated from the shift to

forward-looking impairment recognition (Gebhardt & Novotny-Farkas, 2011; Leventis et al., 2011). Earlier evidence on income smoothing and provisioning discretion under the IAS 39 regime (Ahmed et al., 1999; Ozili, 2017) further contextualises this finding, if Nigerian banks used provisions to manage earnings under the incurred-loss model, then the post-IFRS 9 increase in provisioning levels may also reflect a reduction in the downward smoothing that suppressed provisions in the pre-adoption period.

An important implication follows for how regulators, investors, and analysts interpret rising provisions in the Nigerian banking sector. Higher provisions after 2018 should not automatically be read as evidence of deteriorating bank performance. They may also, and in this case do, reflect the intended design of a more demanding and forward-looking impairment regime (Taylor et al., 2025; Kyiu & Tawiah, 2025).

Credit risk (NPL)

The non-performing loan ratio carries the largest and most precisely estimated coefficient in the model ($\beta = 0.261$, $p < 0.001$). This confirms that despite the accounting regime change, observable credit quality deterioration remains the primary mechanical driver of loan loss provisions in Nigerian banks, as the provisioning literature consistently documents across settings (Beatty & Liao, 2014; Ozili, 2024). This result also serves as a validity check on the model: in the presence of a regime-change dummy, the continued dominance of NPL confirms that the IFRS effect is identified over and above the credit risk effect, rather than simply absorbing variation in underlying loan quality. The combination of a significant IFRS coefficient and a dominant NPL coefficient is consistent with the view that IFRS 9 changed the provisioning environment without removing the credit risk sensitivity of impairment charges (Behn & Couaillier, 2025; Pastiranová & Witzany, 2022).

Bank Size (SIZE) and Profitability (ROA)

Bank size is positive and significant ($\beta = 0.0032$, $p = 0.038$), consistent with the expectation that larger banks carry more complex and diversified loan portfolios that generate higher relative provisioning requirements (Ozili, 2024). Profitability carries a

negative but statistically insignificant coefficient ($\beta = -0.049$, $p = 0.154$). The negative sign is in the expected direction, the income-smoothing literature predicts that more profitable banks have stronger incentives to increase provisions as a mechanism for reducing reported earnings to a sustainable level, producing a negative ROA-provisioning relationship (Ozili & Outa, 2019; Ozili, 2017). The absence of statistical significance here suggests that income-smoothing through provisions was not a dominant provisioning driver for these banks over the 2014–2024 period, or alternatively that the IFRS 9 transition itself constrained this behaviour, consistent with the findings of Leventis et al. (2011) and Casciello et al. (2024). This result does not contradict the income-smoothing literature but indicates that over the full study period, macroeconomic regime change and credit quality were more decisive provisioning influences than earnings management.

Hypothesis evaluation

The null hypothesis H01, that IFRS adoption has no significant effect on loan loss provisioning in Nigerian deposit money banks, is rejected based on the positive and statistically significant IFRS coefficient ($\beta = 0.0105$, $p = 0.012$). The evidence supports the conclusion that the transition from IAS 39 to IFRS 9 was associated with a meaningful increase in reported loan loss provision ratios, with the regime effect persisting after controlling for bank size, profitability, and credit risk.

5.0 Summary, Conclusion, and Recommendations

Using a balanced panel of 132 bank-year observations from 12 listed Nigerian deposit money banks over the 2014–2024 period, this study examined the effect of IFRS adoption on loan loss provisioning within a fixed-effects regression framework. The central finding is that the IFRS adoption dummy carried a positive and statistically significant coefficient ($\beta = 0.0105$, $p = 0.012$), indicating that the post-2018 IFRS 9 period was associated with an average increase of approximately 1.05 percentage points in the loan loss provision ratio after controlling for bank size, profitability, and credit risk. Non-performing loans were positive and highly

significant ($\beta = 0.261$, $p < 0.001$), confirming that credit quality remained the primary mechanical driver of provisioning alongside the regime change. Bank size was positive and significant, while profitability carried a negative but statistically insignificant coefficient.

These results lead to rejection of the null hypothesis and support the conclusion that the shift from IAS 39 to IFRS 9 significantly altered loan loss provisioning practices in listed Nigerian banks by producing higher reported provision ratios. This finding is consistent with the policy intent of the expected credit loss framework, which was designed to eliminate the delayed, backward-looking loss recognition that Ahmed et al. (1999) and Bushman and Williams (2012) identified as a systemic feature of incurred-loss accounting. It also confirms, in the Nigerian context, the pattern documented by Gebhardt and Novotny-Farkas (2011) and Leventis et al. (2011) that accounting regime changes produce measurable shifts in provisioning levels in bank-level panel data, and aligns with the cross-country evidence of López-Espinosa et al. (2021) and Resende et al. (2024) that IFRS 9 produced higher and more timely impairment recognition. Critically, the finding extends the Nigerian evidence of Ozili and Outa (2019) and Ozili (2017), both of whom documented that the IAS 39 regime permitted discretionary, smoothing-driven provisioning among Nigerian banks, by demonstrating that the post-adoption period produced a measurable upward correction in provisioning levels consistent with the reduction of that downward pressure.

The continued dominance of the NPL coefficient alongside a significant IFRS effect further indicates that the post-adoption increase in provisions was not an artificial accounting outcome. Provisioning under IFRS 9 remained anchored to credit reality even as the reporting regime shifted, consistent with the finding that the new standard changed provisioning practice without removing its economic sensitivity (Behn & Couaillier, 2025; Pastiranová & Witzany, 2022; IFRS Foundation, 2014).

Recommendations

Based on the findings, the following recommendations are offered.

1. Prudential authorities, particularly the Central Bank of Nigeria, should intensify supervisory scrutiny of the forward-looking assumptions embedded in banks' expected credit loss estimates. Since the post-adoption period was found to produce significantly higher provision ratios, regulators should verify that this increase reflects credible credit risk assessment rather than conservative bias or managerial manipulation of impairment inputs, consistent with the supervisory concerns raised by Novotny-Farkas (2016) regarding the interaction between the expected-loss model and regulatory capital rules.

2. Audit committees of listed Nigerian banks should increase their oversight of period-on-period movements in loan loss provisions by requiring management to document and explain how changes in credit conditions are reflected in impairment estimates. Since the study found that both the accounting regime and credit quality jointly shaped provisioning outcomes, unexplained divergences between NPL trends and provision movements warrant targeted internal review.

3. External auditors should give greater emphasis to the reasonableness of expected credit loss model inputs, including probability of default estimates and macroeconomic scenario assumptions, rather than focusing solely on the mechanical accuracy of provision calculations. The finding that regime change produced a significant provisioning shift, beyond what credit risk conditions alone would explain, suggests that impairment model design and calibration warrant independent professional scrutiny (Leventis et al., 2011; Casciello et al., 2024).

4. Investors and analysts interpreting Nigerian bank financial statements should not automatically treat rising loan loss provisions as evidence of deteriorating performance. The evidence here shows that part of the post-2018 provisioning increase reflects the forward-looking requirements of IFRS 9 rather than concurrent credit deterioration, consistent with what Taylor et al. (2025) and Kyiu and Tawiah (2025) found regarding the informational consequences of IFRS 9 adoption in African and broader emerging-market settings.

5. Banks should improve the granularity of their IFRS 9 impairment disclosures to allow external users to

distinguish provisions driven by accounting regime requirements from those driven by underlying loan quality changes. Greater transparency in this area would improve the interpretive value of financial statements and support more accurate assessment of bank performance across the pre- and post-adoption periods (Ozili & Outa, 2019; IFRS Foundation, 2014).

Delimitations and suggestions for further research

This study is subject to several limitations. The analysis is restricted to 12 banks listed on the Nigerian Exchange Group, which excludes unlisted deposit money banks and microfinance institutions whose provisioning behaviour and IFRS adoption experiences may differ materially from the listed segment. The model is intentionally parsimonious, including only the IFRS dummy alongside bank size, profitability, and credit risk as controls. Capital adequacy, which prior research has identified as an important provisioning determinant, was not included as a control variable, this omission reflects the narrow focus of the study on regime change effects, but means the estimated IFRS coefficient may partly capture provisioning variation that is attributable to capital pressure rather than the accounting rule itself (Behn & Couaillier, 2025). Governance quality, audit characteristics, and managerial incentive proxies were similarly excluded. Audit quality in particular is a consequential omission for a study of provisioning accuracy under IFRS 9, since the credibility of expected credit loss estimates depends in part on the rigour of external auditor scrutiny (Leventis et al., 2011). Finally, because the IFRS dummy is a period-level indicator common to all banks in any given year, year fixed effects could not be included alongside it, meaning the estimated regime effect may absorb some aggregate time-period variation beyond the accounting change itself.

Future research should consider estimating separate models for the pre-IFRS 9 and post-IFRS 9 sub-periods to examine how the determinants of provisioning shifted across regimes, rather than relying solely on a dummy variable to capture the transition. Incorporating capital adequacy and governance variables would help isolate the pure accounting regime effect from these concurrent

influences. Extending the analysis to unlisted Nigerian banks or to a comparative African panel would help determine whether the provisioning response to IFRS 9 observed among listed Nigerian banks reflects a broader regional pattern or is specific to the listed, more closely supervised segment of the market.

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